



City Bank
MEMBER FDIC
MORTGAGE

Brenda Williams
Robin Hicks

Sr. Loan Officer
Branch Mgr./Loan Officer

ph 979-846-7844
fax 979-846-7951

www.citybankmortgage-bcs.com



BUY VS RENT

? a sample calculation of the benefits of buying a home versus renting for a college student ?

Assumptions made:

- § Parent buying or renting for a college student, intending on keeping property for 5 years
- § 28% income tax bracket
- § \$10,900 Standard Deduction already met, prior to purchase of 2nd home
- § 3% Annual property appreciation rate
- § Purchase of 3-4 bedroom home versus renting 3-4 bedroom Apt., condo., or Home
- § Fixed rate mortgage at 6.25% with 3.5%-5.0% down
- § Rent payment of \$1,150/month; Mortgage payment \$1,230/month PITI
- § 3% Annual increase in rental rate

		BUY	RENT
Sales Price	\$140,000		
Bal. of Loan in 5 yrs	\$124,139		
Home Value after 5 yrs	\$162,297		
Initial Cash Investment		\$10,500	
Amount Paid over 5 yrs		\$73,800	\$73,254
Maint. Cost on house (\$100/mo)		\$6,000	
Cost to sell		\$11,000	
Net Equity after 5 yrs		(\$38,158)	
Tax Advantage over 5 yrs**		(\$15,685)	
TOTAL INVESTMENT AFTER 5 YRS		\$47,457	\$73,254

Based on this scenario, the family would have **saved approximately \$25,800 by purchasing** a property for the student to occupy versus renting a similar property.

**Tax Advantage Calculation

Annual Property Tax	\$ 3,150
Avg. Annual Int. Paid	<u>\$ 8,054</u>
	\$11,204
Tax Rate	<u>28%</u>
Annual Tax Advantage	\$ 3,137 x 5 yrs = \$15,685

Advantages of Buying:

- § Equity Building/Investment
- § Tax Advantages

You can see from the example above that owning a home versus renting one could save you a lot of money! As you make mortgage payments, a portion of the payment goes to reduce the loan balance and build equity, something that you don't have when you rent. In addition, if property values increase, your equity builds even faster!

The taxes and interest on a 2nd home are tax deductible, and may significantly reduce your income tax liability. A tax consultant should be contacted for specific advice in each situation.